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Honduras

Sugar

Annual

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Prepared by:

Suzanne E. Heinen

U.S. Embassy

Drafted by:

Omar González

Report Highlights:

Fully recovered from the effects of hurricane Mitch, Honduras' sugar industry will establish a new production high in 1999/00 at 322,106 MT. Local demand and exports are also experiencing considerable growth. However, low world market prices and the threat of import competition are making the industry's decision to invest in a new mill a difficult one.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Honduran sugar production will experience a huge surge in 1999/00, easily surpassing the 300,000 MT mark. Following a dismal performance in 1998/99 as a result of Mitch, the industry has increased production area and made investments to increase plant capacity and improve its efficiency as well. The industry is operating at near full capacity and hence production is expected to begin tapering off over the next several years. The increase in supply expected in the 1999/00 year will be channeled into a growing domestic consumption and exports as well. However, with a relatively small U.S. tariff-rate quota allocation, a growing share of exports will likely go to the world market. The industry is not without its challenges either. With low world market prices, imports from outside the Central American region have begun to chip away at the industry's domestic sales, particularly in the soft drink industry.

PSD Table						
Country	Honduras					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		09/1998		09/1999		09/2000
Beginning Stocks	80	80	74	77	0	86
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	215	197	310	322	0	330
TOTAL Sugar Production	215	197	310	322	0	330
Raw Imports	14	35	0	18	0	2
Refined Imp.(Raw Val)	0	0	0	2	0	2
TOTAL Imports	14	35	0	20	0	4
TOTAL SUPPLY	309	312	384	419	0	420
Raw Exports	11	11	75	80	0	75
Refined Exp.(Raw Val)	0	0	0	0	0	0
TOTAL EXPORTS	11	11	75	80	0	75
Human Dom. Consumption	224	224	228	253	0	260
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	224	224	228	253	0	260
Ending Stocks	74	77	81	86	0	85
TOTAL DISTRIBUTION	309	312	384	419	0	420

PSD Table						
Country	Honduras					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		09/1998		09/1999		09/2000
Area Planted	0	36	0	41	0	42
Area Harvested	0	33	0	40	0	41
Production	0	2353	0	3350	0	3430
TOTAL SUPPLY	0	2353	0	3350	0	3430
Utilization for Sugar	0	2353	0	3350	0	3430
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	0	2353	0	3350	0	3430

Production

Besides the obvious and immediate damage caused to sugarcane plantations throughout Honduras and to the country's milling industry, hurricane Mitch also had a significant impact on sugarcane yields and sugar recovery rates. Consequently, centrifugal sugar production during 1998/99 dropped more than anticipated in our 1999 annual report, reaching only 197,086 MT (raw value). After taking this deep (25 percent) plunge in output, Honduran sugar production is expected to rebound in a big way in 1999/2000. Production should expand to an all-time-high of 322,106 MT (raw value) during the 1999/2000 year, up 125,000 MT from the Mitch-ravaged level of the previous season. An expansion in planted area and increased investment, not only to recover from hurricane damage but to improve and expand plantations and milling equipment, are having a dramatic effect on production. Ironically, some plantations are also experiencing improved yields as a result of sedimentation left from Mitch. The following table shows a breakdown of the 1999/00 production estimate by company.

1999/00 SUGAR PRODUCTION ESTIMATE
(MT, Raw Value)

Company	Refined	Plantation White	Raw	TOTAL	%
CAHSA	0	76,039	5,634	81,673	25.4
ACHSA	0	36,095	0	36,095	11.2
ACHUMSA	0	27,769	1,080	28,849	9.0
LA GRECIA	0	43,073	19,013	62,086	19.3
AZUNOSA	0	36,095	0	36,095	11.2
AYSA	36,401	0	0	36,401	11.3
Tres Valles	0	40,907	0	40,907	12.7
TOTAL	36,401	259,978	25,727	322,106	100.0

Sugarcane prices have also experienced a small to moderate rise in 2000 after having remained relatively flat for two years. Current prices paid to farmers are averaging between Lps. 220 and 230 (\$14.92 and 15.59) per short ton of cane, compared to an average of about Lps 204 (\$14.48) per short ton during 1997/98 and 1998/99. With rising prices contracted in advance, sugarcane planted area has swelled from 35,858 has. in 1998/99 to 41,052 has in 1999/00.

As a whole the industry is currently working at about 98 percent of its capacity. Therefore, not much more production can be expected of the industry in the next three to five years without the addition of another mill. However, the industry is approaching this expansion with caution, as world sugar prices are relatively low and recent imports of sugar threaten the industry's domestic sales.

Consumption

As the Honduran economy contracted in 1999 after Mitch, so did overall domestic demand for sugar, despite the fact that consumer sugar prices remained flat. During the 1998/99 year, demand is estimated to have dropped from an initial estimate of 242,000 MT to 224,000 MT. This should change in 1999/00. Total sugar consumption should reach about 253,000 MT during the period and is expected to continue its upward momentum in 2000/01, albeit at a more moderate pace. This growth in demand should take place in spite of recent increases in consumer sugar prices which for the most part have been relatively small and aimed at bringing sugar prices back in line with overall price levels in the economy. CISA, the industry's joint marketing company, sells sugar at Lps 320 (\$21.70) per quintal (100 lbs.), compared to a Lps. 302 (\$21.43) in 1998/99. At the retail level, sugar currently sells at about Lps 3.75 (\$0.25) per pound, compared to Lps 3.50 (\$0.24) in 1998/99. One development on the consumption side is that the milling industry is now trying to shed their product's image as a commodity and is beginning to market sugar under different brands with distinctive packaging. The 1999/2000 year marks the first time that Honduras is producing refined sugar which is being sold in the domestic market. In fact, one of Honduras' eight sugar mills is now producing exclusively refined sugar.

Trade

The current 10,531 MT U.S. tariff-rate quota allocation to Honduras has experienced little change from FY1999 to FY2000. Honduras is expected to fill this quota during the month of April and depending on the outcome of this season's overall production volume, it may export another 60,000 70,000 MT to the world market during 1999/00. This is in direct contrast to the 1998/99 year, when reduced supplies barely allowed the industry to fill its U.S. quota.

In fact, given the downturn in production, imports from neighboring countries and other sources were necessary in order to satisfy demand. In calendar year 1999 the industry reports that it alone imported 48,126 MT from the Central American region and it also acknowledges that non-industry sources imported another 3,850 MT, primarily from Mexico. During calendar year 2000 approximately 2,000 MT of refined sugar have also been imported from Colombia. These latest imports have been quite controversial, however. The soft drink and dairy industries have imported this amount despite heavy opposition from the sugar industry given the fact that there is excess supply this year. The trade matrices that follow are for the 1998/99 marketing year.

Export Trade Matrix			
Country	Honduras		
Commodity	Centrifugal Sugar		
Time period	Sep.-Aug.	Units:	MT
Exports for:	1999		2000
U.S.	10833	U.S.	10531
Others		Others	
		World Market	69000
Total for Others	0		69000
Others not Listed	0		0
Grand Total	10833		79531

Import Trade Matrix			
Country	Honduras		
Commodity	Centrifugal Sugar		
Time period	Sep.-Aug.	Units:	
Imports for:	1999		2000
U.S.	0	U.S.	0
Others		Others	
Central America	31000	Central America	18000
Mexico	3000	Colombia	2000

Total for Others	34000		20000
Others not Listed	1000		0
Grand Total	35000		20000

Stocks

Given the production outlook for 1999/00 and beyond, carry-over stock levels do not appear to present a problem for Honduras' sugar industry. Peak demand normally occurs in November and December at which time the two mills in the southern part of the country may begin harvesting early in the event of a shortage. Stocks are normally held by CISA and to a lesser extent by the mills.

Policy

There is no major policy change affecting the sugar industry to report. While the Government of Honduras (GOH) sympathizes with the industry's desire to block unfair import competition, there is little the GOH can do legally to impede imports. While there is a gentleman's agreement between sugar industries in the region not to intrude in each other's markets, the 40 percent duty for extra-regional imports is seemingly not enough to ward off imports of sugar at world market prices.